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Mexico

Grain and Feed Annual

Favorable Growing Conditions for a Higher Corn, Wheat, and Dry Beans Forecast, Sorghum Mixed, Rice Down

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Report Highlights:

The marketing year (MY) 2013/14 corn production estimate is expected to increase by 500,000 metric tons (MT) to 22.0 MMT as a result of favorable weather conditions, higher yields, and higher than previously estimated planted area. The Post/New MY 13/14 wheat harvested area and production forecasts have been revised upward from USDA/Official forecasts to 3.6 MMT based on updated information from government and private sources, which reflects higher than previously estimated planted area and favorable weather conditions. Dry bean production estimates for Post/New MY 2013/14 are forecast to 1.15 MMT due to expected higher planted areas. The production estimate for sorghum is mixed. The Post/New MY 2012/2013 is up slightly to 6.9 MMT from last year's production of 6.4 MMT while MY 13/14 sorghum production is forecasted at 6.8 MMT, 1.4 percent lower than the last year's estimate. The Post/New rice production estimate for MY 2013/14 is forecast to decrease 4.7 percent to 182,000 MT (rough production) due to a smaller than expected planted area.

Commodities:

Corn

Wheat

Sorghum

Rice, Milled

Dry Beans

Production:**CORN****Production**

The Post/New MY 2013/14 corn production forecast is 22.0 million metric tons (MMT), with an estimated 6.9 million hectares (ha) of harvested area. Official sources expect a slight rebound in size of harvested area as well production next year compared with the last few years assuming normal weather conditions. Other factors for the rebound pointed out by official sources include:

- New operational rules for the largest domestic support program PROCAMPO (see Policy Section), which highlights a new provision that growers are only eligible to receive subsidies based on actual production. Before, growers could get supports payments just for land ownership –not on actual production. Thus, some small land holders, who were not planting corn, may increase the area planted to receive this support. Regularly, however, these growers, have small, rain-fed subsistence plots with very low yields
- A Decree that aims to end hunger in Mexico (see 2013 GAIN Report [MX3005](#) “Mexico Pushes Crusade against Hunger Campaign”). Among one of the objectives of this “Crusade” is to boost food production and income of small growers. Although the Decree does not specify how this goal will be achieved, official and private sources expect that the Government of Mexico (GOM) could eventually provide some additional supports to assist small corn growers as well growers of other basic grains for planting more plots.

Despite the optimistic perspective for commodity prices for MY 2013/14, both private and official sources agreed that a huge expansion of the planted area of corn or other basic grains, such as sorghum is unlikely. They stated Mexico’s area to be cultivated has practically reached its limits. Eventually, the only options to increase planted area of corn or other basic grains could be reducing livestock or forest areas, which is unlikely.

Mexico is the fifth largest corn producing country in the world, and white corn accounts for 67 percent of total production while yellow corn represents only eight percent. Other types of corn account for 25 percent of total corn production, including blue corn, hominy and popcorn. Corn is grown throughout the year during two seasons: spring-summer (planted mainly in June-July and harvested in November-December) and fall-winter (which is planted in December-January and harvested mainly in May-June). Approximately 75 percent of Mexican corn is obtained from the spring-summer season and approximately 79 percent of the corn is produced in non irrigated land farming.

Corn continues to be produced in all regions of Mexico in a wide range of agro-climatically diverse conditions by growers who differ in resource endowments, managerial structures and technical skills. Approximately 70 percent of the total production comes from eight states: Chiapas, Guerrero, Jalisco,

Mexico, Michoacán, Puebla, Sinaloa and Veracruz. Moreover, corn production in Mexico is divided into two categories: commercial and traditional. Commercial production is practiced by large and medium growers, who produce white and/or yellow corn, while traditional refers to small and subsistence farmers who specialize mostly in white corn and other production. Commercial producers generally obtain higher yields and use more inputs and technology than traditional farmers.

Despite diverse governmental efforts to increase corn productivity, there are structural limitations that prevent its success. Probably the most important constraint is the high degree of land fragmentation. Recently, Agriculture Secretary, Enrique Martinez y Martinez, acknowledged that the main structural problem of the agricultural sector is the small landholding by Mexican farmers. According to the Secretary, 77 percent of Mexico's rural property is in hands of farmers with less than five hectares and have no access to improved seeds, fertilizers, financial credit and marketing.

For example, there are approximately 2 million corn growers in Mexico, and more than 85 percent of those growers have landholdings smaller than 5 hectares according to the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). In the states of Veracruz and Oaxaca more than 75 percent of growers produce on less than 2 hectares. Even in Sinaloa and Jalisco, the states with the least fragmentation, only 57 percent produce on more than 5 hectares.

Other structural problems are transportation, storage, and marketing, which continue to be sources of unnecessary high costs and bottlenecks in the Mexican corn sector. Long distances from corn fields to consumption centers, reliance on expensive trucking, an inadequate road infrastructure, and the lack of direct railroad links at key transport hubs (especially at ports and markets) have frustrated efforts to create an integrated market from the farmers to the consumers. Furthermore, Mexico has a substandard storage network that lacks effective instruments for financing inventories in warehouses. Similarly, the relatively high cost of fuel (i.e., diesel) is another factor that has affected corn prices. The competitiveness of Mexican growers is also hampered relative to U.S. imports, with nearly all imports coming via rail or ship, since most internal movement of Mexican production is by higher-cost trucking.

The average yield for the MY 2013/14 corn crop in Mexico is forecast at 3.2 MT/ha, assuming normal weather conditions. However, yields continue to vary significantly throughout the country, depending in large part on the level of technology used. For example, Sonora and Sinaloa have yields similar to those obtained on average in the United States for both white and yellow corn due to the advanced technology used by the growers of these states. The average yield for the MY 2012/13 corn crop in Mexico is expected at 3.1 MT/ha, which is similar to that obtained in MY 2011/12, when weather conditions were unfavorable.

The Government of Mexico (GOM) has continued moving forward regarding biotechnology despite the strong opposition and the media campaign of several NGO's. At the same time, there is uncertainty on the process to grant the commercial permits not only in the Environment Secretariat (SEMARNAT), but also among different entities of SAGARPA. However, corn remains as the most "sensitive" of Mexico's biotech regulations and probably will require a strong push from developers and interested parties before the GOM issues commercial permits for corn production. In the meantime the GOM is taking a measured approach that abides by Mexican regulations and is cautiously evaluating and approving requests.

Consumption

The Post/New MY 2013/14 total corn consumption is forecast at 29.6 MMT, a 2.6 percent increase over last year. The expected increase in total corn consumption reflects an increase in human and feed consumption. This should be driven primarily by the population growth (1.08 percent) and the relatively strong demand by the feed industry. The total corn consumption estimate for MY 2012/13 has been lowered from USDA/Official estimate based on information obtained from industry contacts. These contacts stated that the high international corn prices provoked a rationing of feed and residual use corn demand resulting in a strong shift to sorghum use in the feed ration.

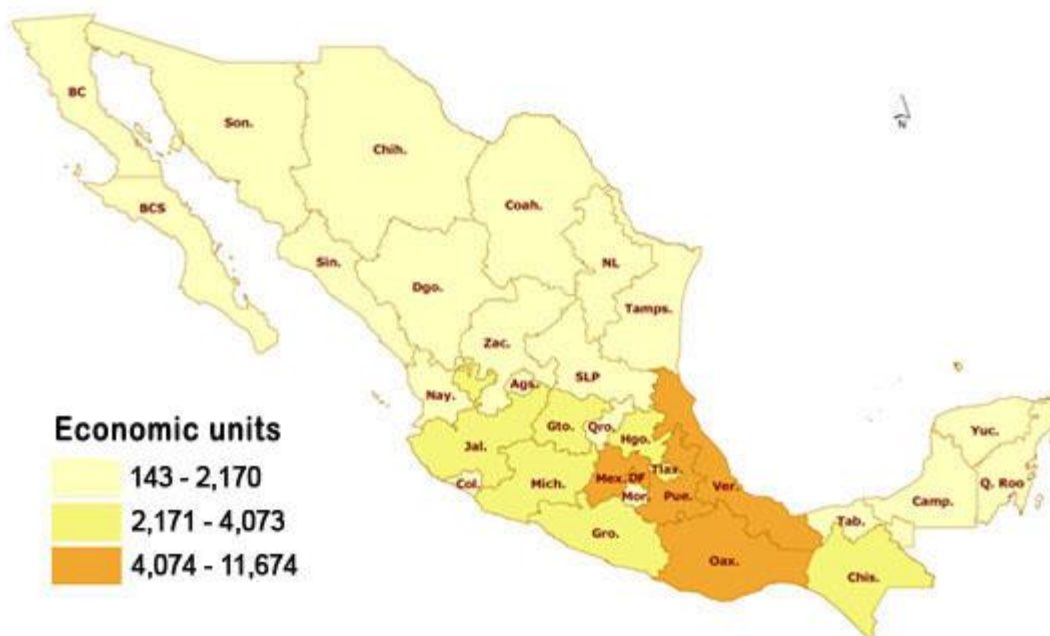
Although corn in Mexico is mainly produced during spring-summer, demand is constant throughout the year. Regarding yellow corn, it is generally used to produce cornstarch, cereals, and animal feed. According to industry sources, approximately 50 percent of the yellow corn in Mexico is used by the livestock industry. Cornstarch production uses approximately 2.5 MMT of yellow corn annually. Approximately 90 to 95 percent of the cornstarch is produced using corn imported from the United States.

Corn continues to be the most important staple crop in Mexico, with consumption of corn and tortillas accounting on average 7 percent of Mexicans' family budget. According to SAGARPA the per capita tortilla consumption is 49 kilograms per year or 133 grams daily. It is still the most important component of the Mexican diet and has a very important place in Mexican food traditions.

According to the most recent Economic Census, the number of tortilla makers and the traditional *Nixtamal* dough mills has grown 24 percent in 2004-2008. For example, in 2004 there were 63,459 establishments, while in 2008 that number jumped to 78,852, implying that on average 3,079 tortilla makers were established per year. (Note: *Nixtamal* is ground corn cooked with limestone. After cooking, the ground corn is milled into flour or used in the making of dough for flatbread.)

Moreover, one in two tortilla makers and mills (47 percent) are located in the Central and Southeast regions of the country. The following map shows the five states highlighted in orange account for a potential consumer population of approximately 45.6 million people (nearly 41 percent of the country's inhabitants). In addition, except Mexico City, these states produce 27 percent of the domestic corn crop.

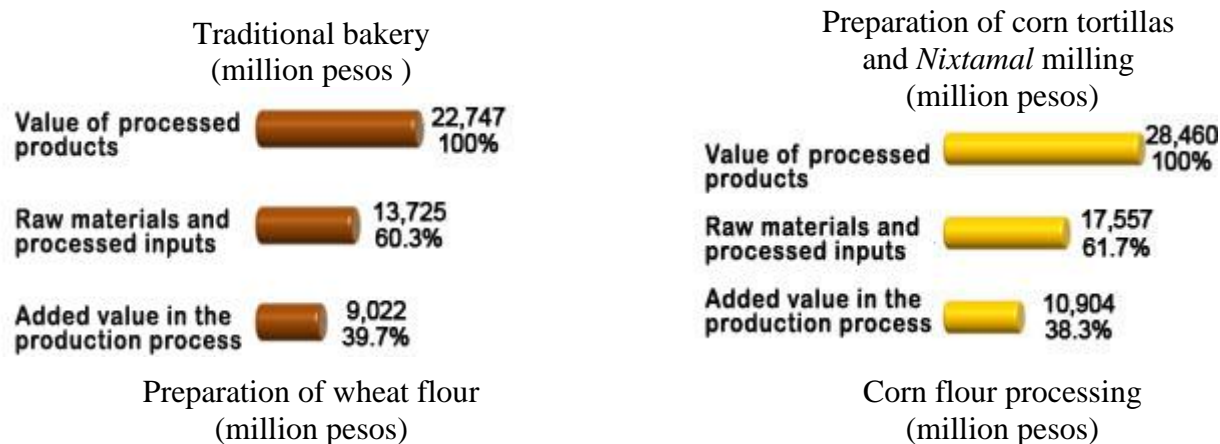
Tortilla factories and *Nixtamal* mills by state

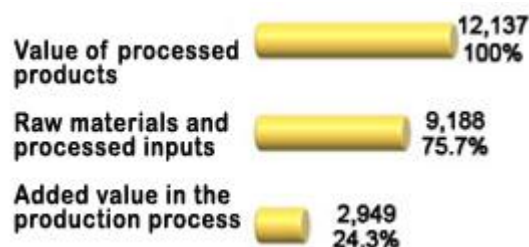
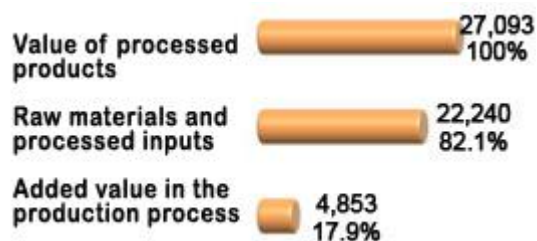


Source: SIAP/SAGARPA and Agroasemex.

Six of every ten dollars obtained by the tortilla makers and *Nixtamal* millers are used to purchase raw materials and inputs. The remainder is the added value in the production process, which is distributed in employee salaries, tax payments, expenditure to machinery replacement and profits.

In addition, there is the attractiveness valued added of the tortilla industry in comparison with others such as the wheat flour production, which has a value added of 18 percent, while corn flour 24 percent and 40 percent traditional bakery, which could explain the increase in the number of tortilla makers and bakeries in country between 2004 and 2009.





Note: Total acreage may differ from the sum of the numbers of insured surface, because the decimals are rounded to integers.
Source: SIAP with AGROASEMEX information.

Approximately 225,000 workers are engaged in the production of tortillas and corn milling. In addition this activity has a high concentration of female employees, as two of every three jobs are performed by women (64 percent). Five entities concentrate 51 percent of employment: Puebla (40,000), Mexico (28,000), Michoacan (19,000), Sinaloa (14,000) and Guanajuato (11,000).

Regarding the corn feed consumption the poultry sector continues to be the major consumer of feed grains in Mexico. During 2012, the poultry sector consumed 14.7 MMT of animal feed; of which, 9.26 MMT consisted of corn, sorghum and wheat; 2.94 MMT was of oilseeds meal, and the remaining 2.49 MMT was other ingredients. Moreover, Mexican broiler production should continue increasing in 2013 in spite of disease issues and higher production costs that plagued the poultry sector for the second half of 2012 (see 2013 GAIN report [MX3011](#) “First \$1 Billion Poultry Market for American Exporters”). According to the National Poultry Union, feed continues to represent more than 60 percent of production costs.

According to industry sources, feed manufacturers have not changed feed formulas in response to increasing grain prices, except in the case of sorghum, where more sorghum is used in feed formulas instead of corn. Usually, feed compounders only exchange sorghum for corn when the sorghum price equals 90 to 92 percent of the corn price. Sources stated the poultry industry is most likely to make this change when market conditions allow. The animal feed industry also stated that some livestock producers, like hog farmers, made some attempts to modify their formulas with rice byproducts in 2012, due to the increase of feed grain prices. However, they finally decided not change feed formulas and continue using corn and sorghum as the main components. In addition, in general livestock sector does not use “small grains” such as barley, oats or rye, as Mexico has a deficit in the domestic production of these commodities and consequently they are not familiar with them as ingredients of the feed complex.

Policy

On December 21, 2012, SAGARPA published in the Mexican Federal Register (Diario Oficial), Notice of Cancellation of Mexican Official Standard NOM-028-FITO-1995. The Notice had established the phyto-sanitary requirements and specifications for the import of grains and seeds, except for planting, published February 28, 1996 in the “*Diario Oficial*”. The phyto-sanitary requirements and specifications for the import of grains and seeds, except for planting, regulated by the Mexican Official Standard have been incorporated into the Phyto-sanitary Import Requirements Module (“*Módulo de Requisitos Fitosanitarios para la Importación*”). Interested parties may consult the phyto-sanitary import requirements in the [Module](#), an online consultation system containing phyto-sanitary measures applicable to imported goods of vegetable origin which are not covered by Mexican Official Standards. The Module objective is to provide useful information to help prevent the introduction and spread of regulated pest in Mexico and protect the phyto-sanitary conditions of the country.

On February 12, 2013, SAGARPA published in the Diario Oficial (Mexico's Federal Register) a notice which modifies the operational rules of PROCAMPO - a domestic agricultural support program for 2013 (see 2013 GAIN Report [MX3012](#) "PROCAMPO 2013 Subsidy Program Changes"). The PROCAMPO budget allocation for 2013 is 14 billion pesos (approximately U.S. \$1.08 billion), which is very similar to the amount allocated in 2012.

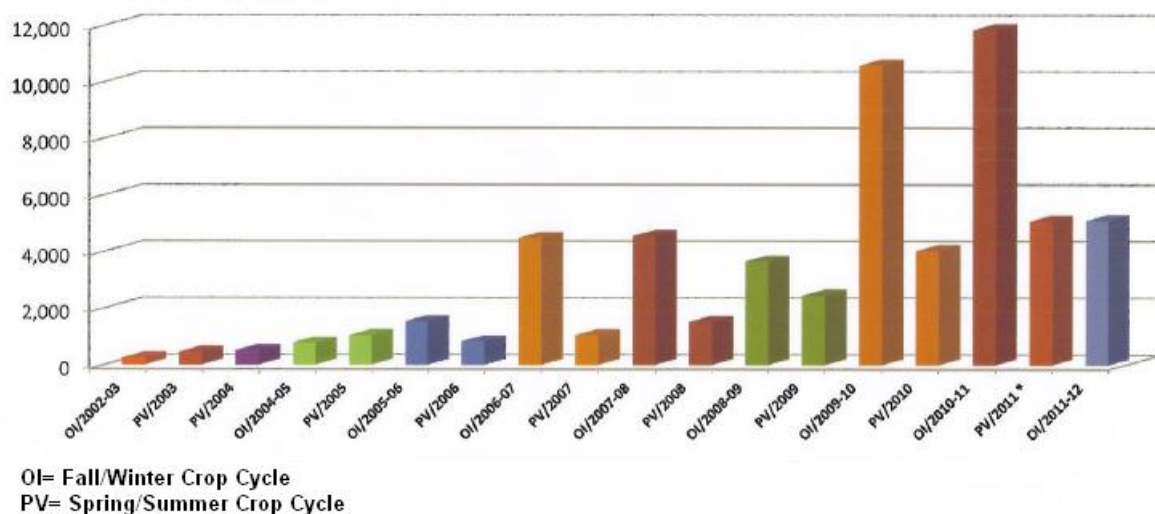
The notice informs of a change in the program's title from, "PROCAMPO for Better Living" to "PROCAMPO Productive", which highlights a new provision that growers are only eligible to receive PROCAMPO's support for planted area. Before, growers could get support payments just for land ownership – not on actual production. Failure to meet this new planting requirement will lead to removal from land registration in the PROCAMPO directory. Consequently, the grower shall not be eligible to receive the subsidy in the future if no planting takes place. Moreover, SAGARPA stated that, under the new program, the maximum area under production that a grower can receive a PROCAMPO subsidy will be the equivalent (in hectares) up to 100,000 pesos (roughly U.S. \$7,750.00) per grower and per crop cycle. Under PROCAMPO, a flat rate payment for corn, sorghum, wheat, rice, and dry beans will be provided to farmers for the 2012/2013 fall/winter and 2013 spring/summer crop cycles.

On February 12, 2013, SAGARPA published in the Diario Oficial (Mexico's Federal Register) a notice the 2013 operational rules of "Forward Contract Program", *Agricultura por Contrato*, (see 2008 GAIN Report [MX8075](#) *Mexico Announces Support Program for Sinaloa White Corn*).

The Forward Contract Program is designed for producers, traders and consumers of corn, wheat, sorghum, soybean, safflower, cotton, coffee, orange juice and livestock products (beef and pork), and recently added cocoa and coverage for agricultural inputs such as fertilizers, natural gas (and derivatives), and diesel. This program is a subsidy system based on market prices and tools that facilitates price stability, merchandising, and marketing for Mexican producers. The Forward Contract Program includes a complex mechanism to purchase input and call options for grain and oilseed growers and the processing industry. Moreover, the program mechanism is based on world prices, thereby diminishing the risk of the system being defined as price distorting. Over the recent agricultural cycles this program has shown an increase in the volume registered of grains and feed, mainly in the fall/winter crop cycles. The breakdown of the grains volume covered by the "Forward Contract Program" in the last few years is as follows:

Figure 1 Volume of Feed and Grains Covered under the Forward Contract Program 2002-2012

1000 MT



Source: SAGARPA's Support and Services for Agriculture and Livestock Marketing Agency (ASERCA - a decentralized administrative body within SAGARPA providing commercial support to farmers) s

Industry contacts have reported that Mexico is considering importing yellow corn from Argentina. An official of the SAGARPA National Service of Food Safety and Quality (SENASICA) stated that Mexico is currently doing a risk analysis for corn from Argentina. The official stated that the risk analysis is expected to be completed during the first half of 2013. In addition, in September 2012, SENASICA published the phyto-sanitary requirements to import yellow corn from Brazil. The SENASICA official stated that the animal feed industry groups (CONAFAB, AMEPA, ANFACA, others) had requested the GOM move to approve additional countries to export yellow corn to Mexico due to tight U.S. corn supplies. At present, Mexico relies almost completely on yellow corn imports from the United States.

Trade

The Post/New total corn import forecast for MY2013/14 is expected to increase only 1.3 percent compared to MY2012/13, to 7.8 MMT, in order to rebuild stocks. Also, in MY2013/14, Mexico is forecast to export approximately 150,000 MT to Venezuela and other Central America countries mainly due to attractive international prices as well as an increase in domestic production.

The Post/New corn import estimate for MY2011/12 has been revised downward from USDA/Official estimate to 7.7 MMT based on private traders information and preliminary official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) covering the first four months of the marketing year. The private traders stated Mexican feed grains importers have opted to import higher levels of sorghum instead of feed corn, as the price difference has been favorable to sorghum in the last few months. Also, these sources indicate that the price of sorghum must be approximately 90 to 92 percent of the price of corn for the poultry industry – the primary consumer of corn and sorghum – to switch. Similarly, the Post/New total corn import estimates for MY 2011/12 have been revised downward from USDA/ official estimate, based on updated data from the Global Trade Atlas and discussions with official contacts.

Stocks

Post/New MY2013/14 ending stocks are forecast to increase to 1.4 MMT, due to an increase in domestic production and imports. The Post/New ending stocks estimate for MY 2012/13 is lower than the USDA/Official estimate (1.325 MMT) as a result of lower imports than previously forecast. Also, the Post/New ending stocks for MY 2011/12 has been revised downward from USDA/Official estimate due to lower than previously estimated imports.

SAGARPA's Food and Fisheries Statistics Service (SIAP) recently resumed releasing information about grain and oilseed stocks on its website and called "Availability-Consumption Balance (ACB)", after having ceased monthly publications since March 2010. In addition to stock data the ACB includes information on production, import and export as well as domestic consumption. Reportedly, various industry and trade sources have disagreed with some figures of the ACB information, mainly regarding consumption and stocks.

According to animal feed industry sources, SAGARPA, through ASERCA (the Support and Services for Agricultural and Livestock Trade - Paying Agency), is conducting a detailed inventory of corn, sorghum and wheat stocks in Mexico. However, this information is not published.

Production, Supply and Demand Statistics

Table 1. Mexico: Corn Production, Supply and Demand for MY 2011/12 to MY2013/14

Corn Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6,070	6,070	6,830	6,830		6,900
Beginning Stocks	1,112	1,112	1,266	1,025		1,325
Production	18,726	18,726	21,500	21,500		22,000
MY Imports	11,122	10,881	8,500	7,700		7,800
TY Imports	11,122	10,881	8,500	7,700		7,800
TY Imp. from U.S.	9,879	10,424	0	7,100		7,500
Total Supply	30,960	30,719	31,266	30,225		31,125
MY Exports	694	694	100	100		150
TY Exports	694	694	100	100		150
Feed and Residual	13,200	13,200	13,500	12,600		13,000
FSI Consumption	15,800	15,800	16,200	16,200		16,550
Total Consumption	29,000	29,000	29,700	28,800		29,550
Ending Stocks	1,266	1,025	1,466	1,325		1,425
Total Distribution	30,960	30,719	31,266	30,225		31,125
1000 HA, 1000 MT, MT/HA						

Table 2 . Mexico: Annual Compound Feed Capacity, Production and Demand by Livestock Sector, 2008-13.

Mexico: Production of Feed Ingredients (000 Metric Tons)

Calendar Year:	2008	2009	2010	2011	2012/e
Compound Feed Capacity	34,000	34,000	34,000	35,000	35,200
Total Compound Feed Produced	26,600	27,000	27,300	28,333	28,759
----by integrated producers	16,947	16,337	17,689	17,870	18,070
----by commercial producers	10,053	10,163	10,411	10,463	10,689
Marketing Year: (000 Metric Tons) Feed Production by type of animal	2008	2009	2010	2011	2012
Poultry	13,728	14,039	14,400	14,613	14,900
Pork	4,230	4,235	4,300	4,200	4,208
Beef Cattle	2,750	2,900	3,000	3,077	3,027
Dairy Cattle	4,503	4,504	4,555	4,512	4,606
Aquaculture	240	250	214	207	215

Source: National Council of Feed Producers and Animal Nutrition

(Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutrición Animal, A.C.)

WHEAT

Production

Total Mexican wheat production for MY 2013/14 (July-June) is forecast at 3.6 MMT, 11 percent greater than the previous year estimate. An expansion in planted area in Mexico's wheat producing regions is the primary reason for the increase. Wheat production in Mexico is spread throughout the country, with the largest producing states being Sonora, Baja California and Guanajuato, which together account for approximately 78 percent of total wheat production. According to industry sources in Sonora and Baja California the weather conditions have been very favorable in the 2012/13 crop production cycle. In Sonora, for example, yields were estimated at (6.1 MT/Ha) because of more favorable weather conditions in this wheat growing area. This factor, along with a higher planted area in Sonora should result in 1.840 MMT of wheat, while Mexicali in Baja California, should produce approximately half million metric tons.

On the other hand, the contrary is happening in the bread wheat-producing states of the central plateau (mainly Guanajuato) which is reporting insufficient water availability and a reduction in planted area. Market analysts indicated that plantings in the area, as of December 31, 2012, was down 85 percent compared with same date a year before due to the prolonged drought that left reservoirs at very low levels.

Official sources stated that, in general, of the total volume of water used in agriculture in Guanajuato, more than half is extracted from groundwater (through wells), which causes severe overexploitation of aquifers. It is provoking a depression of 2 to 5 meters per year and dramatically raising energy costs for the water extraction. In Guanajuato, wheat is one of the main crops of the fall/winter crop cycle under irrigation. In addition to the current adverse weather conditions, productivity is low due to wheat growers who do not irrigate with the accurate timing and volume that the cultivation requires to produce higher yields. Commonly, wheat growers decide to irrigate according to their experience and plant appearance, which may not always be the best approach. Moreover, the lack of agricultural land leveling combined with the lack of knowledge of the technical irrigation design elements such as water usage by application and length and width of grooves, are causing great losses of water by surface runoff ("coleus"). Consequently, this affects large water volumes and in turn generates low efficiency in its use at farm level, a serious problem for Mexican agriculture generally.

Despite the damaged caused by the drought in Guanajuato, it's expected there will be partial compensation by greater production in Sonora and Baja California. As a result, industry contacts estimate that the 2012/13 fall/winter crop cycle could produce approximately 3.35 MMT of wheat whereas in the previous crop cycle, Mexico harvested only 3.0 MMT

Mexico produces two wheat varieties, durum (or crystalline) and milling wheat. Traditionally, Mexico imports more wheat than it exports. Mexico produces less bread varieties (i.e., hard red winter and hard red spring) and more durum. Mexican wheat growers continue to find that durum wheat is easier to grow and they receive better yields compared to other varieties. Industry sources report they expect higher demand for bread wheat from the United States, potentially resulting in more durum plantings. Post's MY's 2011/012 and 2012/13 (July/June) wheat harvested area and production estimates have been remained unchanged from USDA/Official estimates.

Although as much as 40 percent of Mexican durum production is regularly marketed as animal feed, it is expected that this amount could be lower in 2013 due to the availability of alternative feed grains in Sonora and Sinaloa. According to trade contacts, hog producers from these states have been sourcing sorghum from Argentina due to affordable prices, although lower quality compared with the U.S. In 2011, Sonora and Baja California accounted for approximately 90 percent of total Mexican durum (crystalline) wheat production.

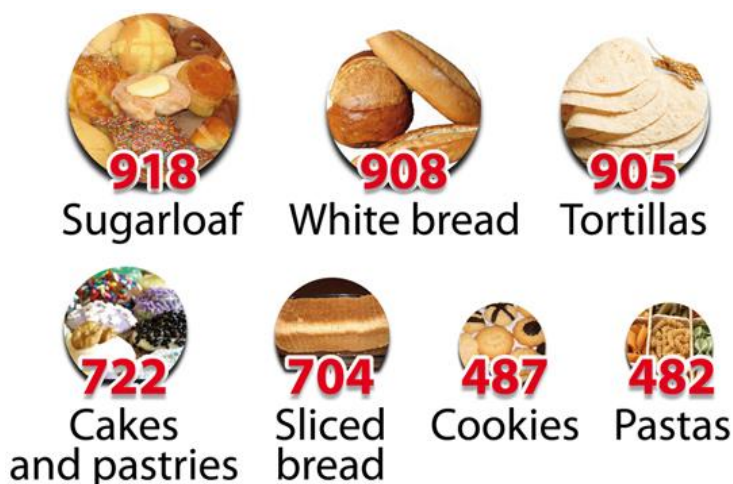
Because most of the wheat production in the major growing regions is irrigated, average yields are expected to remain steady at around 5.6 MT/ha. According to SAGARPA data, nearly 97 percent of the nationwide wheat area is irrigated.

Consumption

Total wheat consumption for MY 2013/14 is forecast to register an increase of only 2.2 percent over previous year. The wheat flour industry expects to continue growing at the average rate of the last few years, approximately 3 percent, due to the continued interest among Mexican consumers for wheat-baked products. Another factor that should influence this increase is the population growth. However, the expectation in wheat feed and residual use is that the consumption will decrease. Market analysts foresee that farmers in the northwest of the country, who traditionally use part of their crop for animal feed, will substitute sorghum and corn for wheat, assuming higher availability and affordable prices of these grains in MY2013/14.

According to surveys conducted by the Mexican government, among common food in the Mexicans diet, those made from wheat has a privileged place as each family consumes on average more than 20 kilos of baked goods per month. Moreover, in Mexico there are four bakeries for every 10,000 inhabitants.

Mexico's Average Weekly Consumption of Bakery Products (Grams)



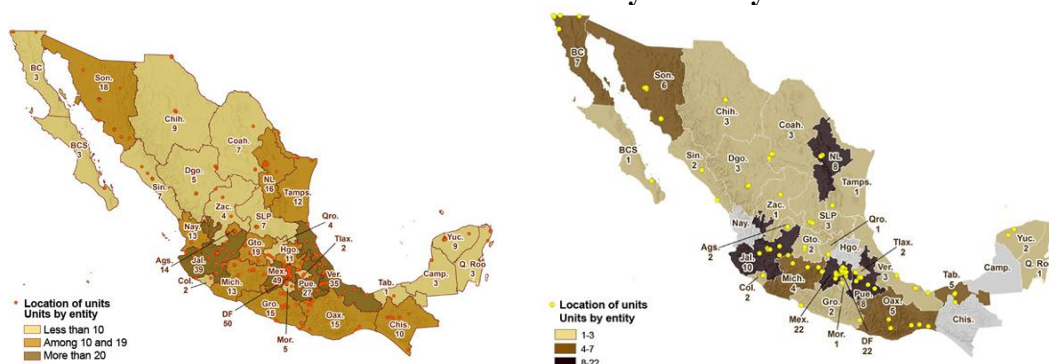
[To view this image in a better resolution click here](#)

Note: Averages are for household spending in each of the goods during the reference week of information.
Source: **SIAP/SAGARPA** to figures from the National Survey of Income and Expenditure (INEGI) 2010.

In Mexico there are 45,528 industrial bakeries, 44,966 artisan bakeries, concentrating their efforts on the production of white bread, sugarloaf and cakes, while 562 of the industrial as well as in-store bakeries manufacture sliced bread, pastries, cakes, cookies and pasta.

By the nature of the consumer market they serve, artisan bakeries are located near residential points. At the national level, the State of Mexico, the most populous of the country, is the entity that has the largest number of bakeries, Veracruz holds the second place with eight percent.

Mexico's Industrial Bakery Units by State



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Source: **SIAP** to figures from the National Statistical Directory of Economic Units (DENUE, 03/2011)

Of the booming industrial and in-store bakeries 562 processing plants, 132 produce sliced bread, wheat tortillas and pastries, the rest produce only cookies and pasta. Unlike artisan bakeries, their location is related to the proximity of the wheat flour mills production points. As a result, the Central region of the country has the largest concentration of companies: one in four is located in the State of Mexico and Mexico City (D.F.).

The wheat milling industry continues to be one of the most important destinations for U.S. wheat. According to most recent data from the Mexican Millers Association (CANIMOLT), Mexico has 89 different millers that process approximately 6.0 MMT of wheat and produce 4.5 MMT of flour each year. The remaining byproducts are consumed by the livestock sector. The millers have a capacity of approximately 9.0 MMT of production. CANIMOLT stated the wheat milling industry has been consolidated in the last few years through the acquisitions and fusions of some millers. Moreover, 51 percent of the installed milling capacity is located in or around Mexico City, Toluca and Puebla metropolitan areas - where slightly more than 50 percent of the Mexican population is located.

According to CANIMOLT, per-capita wheat flour (including semolina) consumption has increased 11 percent (from 35 kilograms to 40 kilograms) over the past 4 years. This increase is due, in large part, to the growing popularity of bread consumption throughout Mexico. For example, the consumption of whole-grain bread, wheat for tortillas and whole-grain cookies has steadily increased since 2009. However, the consumption of sugarloaf and crackers declined in 2009 and has remained stable since that year. The pasta and instant cup noodle sectors have also seen large growth in consumption.

Trade

The Post/New total wheat imports in MY 2013/14 are forecast to decline to 4.0 MMT, in part due to an increase in domestic production and lower demand for imported feed wheat. As usual, price and quality will decide the import source. However, many Mexican millers continue to acquire U.S. wheat due to its transportation advantages. Post/New wheat exports are forecast to remain unchanged at 800,000 MT, assuming a relatively bearish international wheat market.

Post's wheat import estimate for MY 2011/12 has increased slightly (by 47,000 MT) from the USDA/Official estimate. These figures are based on final data from the official government statistics.

Stocks

For MY 2013/14, the Post/New ending stocks forecast is estimated to increase to 432,000 MT. due to the expected increase in domestic production. Post's wheat import estimate for MY 2011/12 has increased slightly (by 47,000 MT) from the USDA/Official estimate. These figures are based on final data from the official government statistics.

Production, Supply and Demand Statistics

Table 3. Mexico: Wheat Production, Supply and Demand for MY 2011/12 to MY2013/14

Wheat Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	662	662	574	574		625
Beginning Stocks	387	387	395	442		372
Production	3,628	3,628	3,230	3,230		3,610
MY Imports	5,020	5,067	4,200	4,200		4,000
TY Imports	5,020	5,067	4,200	4,200		4,000
TY Imp. from U.S.	3,901	3,940	0	3,450		3,100
Total Supply	9,035	9,082	7,825	7,872		7,982
MY Exports	790	790	800	800		800
TY Exports	790	790	800	800		800
Feed and Residual	1,750	1,750	500	500		450

FSI Consumption	6,100	6,100	6,200	6,200		6,400
Total Consumption	7,850	7,850	6,700	6,700		6,850
Ending Stocks	395	442	325	372		332
Total Distribution	9,035	9,082	7,825	7,872		7,982
1000 HA, 1000 MT, MT/HA						

SORGHUM

Production

The Post/New production estimate for MY 2012/13 (October/September) has been revised upward as harvested area was higher than expected and above-normal precipitation provided beneficial soil moisture to boost yields for the 2012 spring/summer crop cycle. According to official sources, several Mexican states such as Guanajuato, Michoacan and Sinaloa planted approximately 110,000 ha more sorghum than initially expected during the 2012 spring/summer crop cycle as relatively good weather conditions provide incentive to increase planted area. In contrast, the damaged area in Tamaulipas due to adverse weather conditions was 50 percent lower compared with the same crop cycle a year early (102,000 ha). As a result, industry sources now estimate that the 2012 spring/summer crop cycle could produce approximately 3.7 MMT of sorghum whereas in the previous crop cycle, Mexico harvested only 3 MMT.

Regarding the 2012/13 fall/winter crop cycle preliminary the expectation is that Tamaulipas will produce approximately 2.2 MMT. This state produces the largest percentage of Mexico's fall/winter crop, and livestock and poultry producers in several neighboring regions are dependent upon it for feed. According to the State Water Commission in Tamaulipas, after the water transfer of “*El Cuchillo*” dam, in Nuevo Leon, to the “*Marte R. Gomez*” in Tamaulipas, it will guarantee the current sorghum 2012/13 fall/winter crop cycle. The president of the National Sorghum Council recently stated that after two years of drought the level of water reservoirs had decreased substantially and feared a drop in sorghum production. However, the official expected all sorghum areas will be planted in the state (approximately 727,000 ha) and acknowledging that “if it rains in the next few weeks we can have a good sorghum production.”

The Post/New total Mexican sorghum production estimate for MY2013/14 is forecast at 6.8 MMT, 1.4 percent lower than the previous year’s estimate. This slight decrease is due to a reduction in planted area in Mexico’s sorghum producing areas because of an expected switch in planting from sorghum to corn, assuming more attractive prices. The overall yield for the MY 2013/14 sorghum crop is forecasted to reach approximately 4 metric tons per hectare, practically the same to the level expected in the current marketing year.

Mexico continues to be among the world’s top three largest producers of sorghum, and the largest importer of sorghum sourced from the United States. Sorghum production is located throughout the country, with the largest producing states being Tamaulipas, Guanajuato, Michoacán, Sinaloa, and Jalisco (these states account for approximately 75 percent of total sorghum production). Approximately 34 percent of the total sorghum planted area is irrigated.

Consumption

The forecast for sorghum consumption in MY 2013/14 is 9.8 MMT, an increase of approximately 3.2 percent due to increased demand from the livestock sector. The animal feed industry expects growth near 2.5 percent as the outlook for the poultry sector continues to be optimistic for 2013. This optimism continues in spite of disease issues and higher production costs that plagued the poultry sector for the second half of 2012. The poultry industry is the major consumer of sorghum in Mexico and uses the crop primarily in the form of mixtures and feed concentrates. The sorghum consumption estimate for MY 2012/13 has been revised upward based on the most recent information from private sources. Traders and buyers indicate that as a result of high corn prices, some hog producers in the northwest of the country have decided to consume imported sorghum, mainly from South America. Trade sources stated that the sorghum has been fed mainly by pork producers from Sonora.

Trade

In comparison with the USDA/Official estimate, the Post/New import estimates for marketing years (MY) 2010/11 and 2011/12 have been increased, based on final official data from SAGARPA and the General Customs Directorate of the Finance Secretariat (SHCP) for the first year. For the second year, the adjustment is based on information from trade and animal feed industry contacts, as well as analysis from the current prices/volume of imports entering the country in the current marketing year. In January 2013, official information shows that Mexico imported 203,501 MT of sorghum from Argentina, due to its affordable prices. Up to this point, Mexico had relied almost completely on sorghum imports from the United States. The Post/New MY 2013/14 import forecast is estimated to increase by 550,000 MT to 3.05 MMT over the Post/New MY 2012/13 due to expected stronger demand from feed millers and to rebuild stocks.

Stocks

Post/New ending stocks for MY 2013/14 are forecast to increase to 497,000 MT due to the expected increase in imports. Ending stocks for MY 2012/2013 have been revised lower to 447,000 MT in comparison with USDA/Official estimate. The difference arose from larger domestic consumption than previously estimated. Also, Post's MY 2011/12 ending stocks estimate was revised upward lower to 547,000 MT due to higher than previously estimated imports.

Production, Supply and Demand Statistics

Table 4. Mexico: Sorghum Production, Supply and Demand for MY 2011/12 to MY2013/14

Sorghum Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: May 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,682	1,682	1,670	1,730		1,700
Beginning Stocks	779	779	473	547		447
Production	6,425	6,425	6,800	6,900		6,800
MY Imports	1,369	1,443	1,800	2,500		3,050
TY Imports	1,369	1,443	1,800	2,500		3,050
TY Imp. from U.S.	1,165	1,182	0	1,500		2,800
Total Supply	8,573	8,647	9,073	9,947		10,297
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	8,000	8,000	8,500	9,400		9,700
FSI Consumption	100	100	100	100		100

Total Consumption	8,100	8,100	8,600	9,500		9,800
Ending Stocks	473	547	473	447		497
Total Distribution	8,573	8,647	9,073	9,947		10,297
1000 HA, 1000 MT, MT/HA						

DRY BEANS

Production

The Post/New Mexican edible dry bean production forecast for MY 2013/14 (January to December) is estimated at 1.150 MMT, 2.7 percent higher than the Post/new revised estimate for MY2012/13. The main reason for this slight increase is higher planted area which official sources stated is a result of the expected supports provided by PROCAMPO Productive and the Crusade against Hunger (see Corn Production section for further information). Moreover, this forecast assumes normal weather conditions. Official sources stated that as a part of the Crusade against Hunger, the two commodities that will be mainly supported by the GOM are corn and dry beans. Therefore, despite the fact that dry bean growers have been protesting low farm gate prices this year in key producing states of Zacatecas and Durango, it is expected that the planted area could increase slightly through GOM support and assistance programs. Such programs include PROMAF (a government program that assists corn and dry bean growers with support for planting plots, purchases for improved seeds and fertilizers, and provides expert technical support). The post dry bean production estimated of 1.12 MMT for MY 2012/13 has been revised slightly upward to 40,000 MT. These changes reflect the most recent data from SAGARPA, which includes an update for the 2012 spring/summer crop cycle and a preliminary estimate for the 2012/13 fall/winter crop cycle. In the case of the 2012 spring/summer crop cycle, the area harvested was 26,000 ha higher than initially estimated, which will produce approximately 810,000 MT of edible beans, slightly higher than the initial estimate of 780,000 MT.

In general, dry beans production has been recovering from the effects of adverse weather conditions faced in 2011 and part of 2012, such as frost and drought in major producing regions of the north, especially in Zacatecas, Chihuahua and Durango, as well as some planting delays affecting some entities south as Oaxaca and Chiapas. According to official preliminary information, dry bean production increased by over 120 percent during the 2012 spring/summer crop cycle, compared with same crop a year earlier, when Mexico suffered a severe drought. In Zacatecas, for example, the major dry beans producing state, preliminary information indicates that the 2012 spring/summer crop reached 302,000 MT, substantially higher than the 109,000 MT obtained from the same crop cycle a year earlier. In this state, from the total surface, official data reports that 35.5 percent of the surface was planted with black bean varieties; 8.5 percent with Pinto Saltillo beans, and 56.2 percent with other colored bean varieties.

Growers traditionally plant their spring/summer harvest from March to August and harvest it from September to March. Dry beans are cultivated practically in all regions, soil conditions and climates of Mexico. Dry beans are second in importance within the overall acreage nationwide, only after corn. However, weather and water availability continue to be the predominant crop production factors, which is aggravated in regions with low rainfall including the regions Zacatecas, Durango and Chihuahua, some of the main producing states. Over 85 percent of Mexico's bean production area is rain-fed. As in the past, the 2012 spring/summer crop cycle is expected to account for approximately 72 percent of total edible dry bean production with the remainder coming from the 2012/13 fall/winter crop cycle.

Consumption

The Post/New MY2013/14 forecast for dry bean consumption is 1.17 MMT, an increase of approximately 1.7 percent over last year's estimate. This increase is driven basically by population growth expectations and more affordable prices. Despite the fact that dry beans continue to be a basic staple in Mexico, its consumption has experienced a steady decline over the last few years. Among the major changes that dry bean consumption is facing is a changing society, including eating habits as a result of urbanization, migration and employment, and the transition from a closed economy to a global economy. For example, increasingly in Mexico, both parents are working outside of the home which forcing a change in the food consumption habits. Because of the amount of time required to prepare beans, bean consumption has declined as the opportunity cost has increased. All of these factors are putting pressure on various stages of the dry beans production, marketing, processing and consumption chain.

Dry bean consumption in Mexico is divided into various regions. Generally, northern Mexico is where clear varieties are consumed. These clear varieties are grown mainly in Sinaloa. Whereas, a large portion of black beans are cultivated in Nayarit and Zacatecas, with consumption demand mostly concentrated in the central and southern regions of the country.

Trade

The Post/New import forecast is 100,000 MT in MY2013/14, a substantial decrease from the last MY as a result of the higher expected domestic production. Noteworthy is that this level of imports represents approximately 9.5 percent of Mexico's total dry bean consumption, which was about average for the last 6 years up until the severe drought that was registered in 2011 and part of 2012 in the main producing states caused imports to spike sharply. On January 13, 2012, Mexico's Secretariat of Economy (SE) announced a total of 100,000 MT of dry beans to be imported duty-free under a tariff rate quota (TRQ) from authorized countries which included China. This TRQ was later raised to 150,000 MT to make up for the short domestic supply caused by a record drought (see 2012 GAIN reports [MX2003](#) "Mexico Looks to Increase Imports of dry Beans" and [MX2008](#) "Mexico Looks to Source More Beans").

Stocks

The Post/New ending stocks estimate for MY 2012/13 has been revised upward to 212,000 MT due to higher than previously estimated domestic production. For MY2013/14, ending stocks are forecast to increase further as the trend of higher production continues.

Production, Supply and Demand Statistics

Table 5. Mexico: Dry Beans Production, Supply and Demand; MY 2011/12 to MY 2013/14

Dry Beans Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	920	0	1561	0	1580
Beginning Stocks	0	183	0	8	0	212
Production	0	626	0	1120	0	1150
MY Imports	0	134	0	248	0	100
TY Imports	0	134	0	248	0	100
TY Imp. from U.S.	0	126	0	184	0	90
Total Supply	0	943	0	1376	0	1462
MY Exports	0	35	0	14	0	30

TY Exports	0	35	0	14	0	30
Feed Consumption	0	0	0	0	0	0
FSI Consumption	0	900	0	1150	0	1170
Total Consumption	0	900	0	1150	0	1170
Ending Stocks	0	8	0	212	0	262
Total Distribution	0	943	0	1376	0	1462
1000 HA, 1000 MT, MT/HA						

RICE

Production

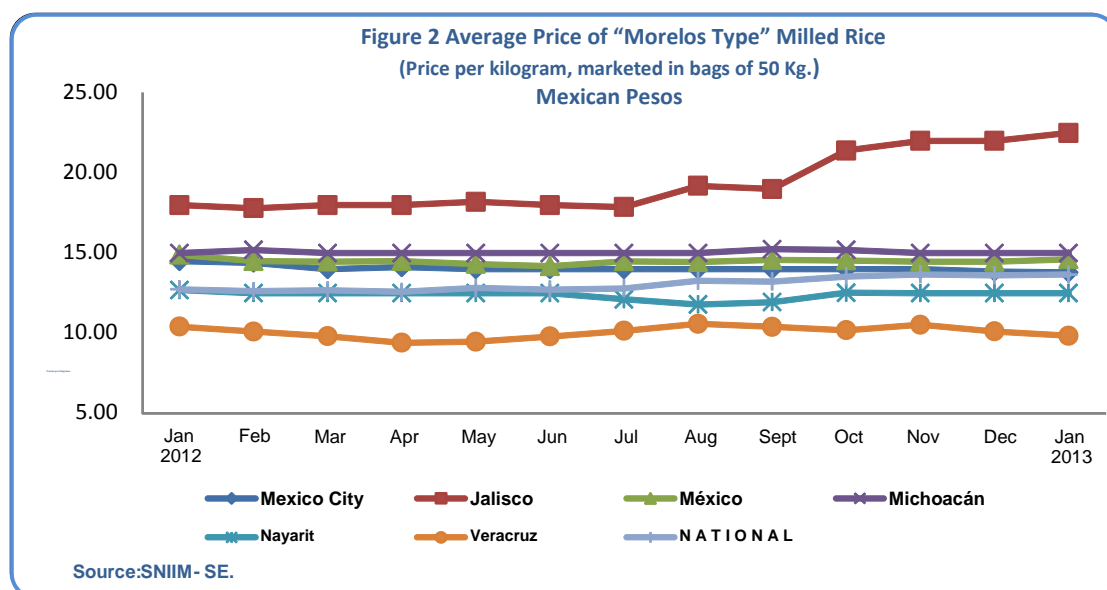
The Post/New rice production estimate for MY 2013/14 (October/September) is forecast to decrease 4.7 percent to 182,000 MT (rough production) due to a smaller-than-expected planted area. The reduced rough rice production compares to 125,000 MT of milled rice. Michoacan, Nayarit, Colima, Morelos and Veracruz are the main rice producing states, with approximately 77 percent of total national production, but sources indicate planted area is down slightly for MY 2013/14 due to the lack of specific governmental supports and unfavorable financing along with strong competition of imported rice, not only from the United States, but also from other origins such as Uruguay and Pakistan, have discouraged farmers to plant rice. Production and harvested area estimates for MY 2011/2012 have been adjusted slightly upward from USDA/Official estimates based on SAGARPA final information. Similarly, harvested area estimate for MY 2012/13 has been revised downward to 35,000 to reflect updated official data.

Consumption

Post/New rice consumption for MY 2013/14 is forecast to increase to 850,000 MT, a 1.8 percent increase from the previous marketing year. The two main factors that should drive consumption of rice in MY 2010/11 are population growth and affordable prices. Lower income families will continue to shift from buying more expensive food products to rice. Depending on the quality, rice will remain a low cost food staple for this segment of the population.

Domestic Rice Prices

The following graph shows wholesale prices for milled rice of the “Morelos” variety (a traditional popular rice in Mexico) in different producing states and at national level. Noteworthy, is that at the national level there was a fluctuating performance in wholesale prices during this period (January 2012 - January 2013) but with an overall upward trend. The price fluctuation was mainly due to price increases on Jalisco, which were offset in part by reductions in wholesale prices of Mexico City, Veracruz and Nayarit. On the other hand, in Michoacan prices remain practically unchanged. Additionally, sources stated that the fluctuating price behavior during the period was due to shifts in domestic production, which had been insufficient to supply the domestic market and therefore resulted in more demand for imported rice.



Trade

The Post/New MY 2013/14 rice consumption forecast is 730,000 MT, a 0.7 percent increase from the previous marketing year. According to official data during the calendar year 2012 Mexico imported 42,066 MMT of milled rice long grain from Uruguay (H.T.S. 100630) or 4.9 percent of the total imported (848,769 MT). Industry sources have stated that a number of U.S. rice hybrid varieties are having some quality problems which have somewhat diminished milling yields. This is due to higher broken index and flawed appearance compared with the traditional non-hybrid varieties. Similarly, Mexico imported 1,589 MT of milled long grain rice from Pakistan due to very affordable prices. Reportedly, the Pakistani rice is close to U.S. \$100.00 lower per metric ton than the U.S. imported rice. Trade sources noted that there is a ready market in Mexico for low priced rice. It's expected that this trend of importing lower priced milled rice from other countries likely will continue in 2013 as Mexican importers continue to look for more competitive pricing. Reportedly, some Mexican importers have requested phyto sanitary requirements to SAGARPA (SENSICA) in order to import rice from Vietnam. Traditionally, Mexico had relied almost completely on rice imports from the United States, mostly in paddy form. To the extent milled rice is imported, the local milling industry is also impacted.

Stocks

As a result of new domestic production information, the Post/New MY 2010/11 ending stocks estimate has been increased slightly from the USDA/Official estimates. This is reflected in the upward adjustment to MY2011/12 carry over as well. For MY 2012/13 the Post/New stock forecast is 129,000 MT.

Production, Supply and Demand Statistics

Table 6. Mexico: Rice Production, Supply and Demand; MY 2011/12 to MY 2013/14

Rice, Milled Mexico	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	31	32	37	35		33

Beginning Stocks	220	220	150	152		171
Milled Production	111	113	128	131		125
Rough Production	162	164	186	191		182
Milling Rate (.9999)	6,870	6,870	6,870	6,870		6,870
MY Imports	645	645	725	725		730
TY Imports	675	675	725	725		730
TY Imp. from U.S.	0	588	0	660		665
Total Supply	976	978	1,003	1,008		1,026
MY Exports	1	1	2	2		2
TY Exports	1	1	5	2		2
Consumption and Residual	825	825	835	835		850
Ending Stocks	150	152	166	171		174
Total Distribution	976	978	1,003	1,008		1,026

1000 HA, 1000 MT, MT/HA

For More Information:

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Title of Report	Date Submitted
MX3010	Grain Production Up Due to Good Weather Conditions	01/29/2013
MX2073	Grain and Feed Annual Report Update Mexico	10/26/2012
MX2054	Favorable Growing Conditions Higher Corn, Sorghum and Rice Forecast	07/30/2012
MX2023	Grain and Feed Annual Report Update	04/23/2012
MX2018	Prolonged Drought Devastated Grain and Feed Sector	03/30/2012
MX2008	Mexico Looks to Sources More Dry Beans	02/13/2012
MX2003	Mexico Looks to Increase Imports of Dry Beans	01/18/2012
MX1101	December Grain and Feed Update	12/22/2011
MX1095	Rice Production Forecast Lower	12/12/2011

Useful Mexican Web Sites: Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, equivalent to the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.